

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 FRB-03 H-02 INR-07 INT-05 L-02 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 TAR-01

TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 SAJ-01 EUR-12

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P 102030Z APR 75

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC PRIORITY 3364

INFO AMEMBASSY BRASILIA PRIORITY

AMEMBASSY MEXICO CITY PRIORITY

C O N F I D E N T I A L SANTO DOMINGO 1580

FROM AMBASSADOR

E.O. 11652: XGDS-3

TAGS: EAGR, ETRD, DR

SUBJECT: SUGAR PRODUCERS MEETING - PUERTO PLATA

REF: A. STATE 061168; B. SD 1533; C. MEXICO CITY A-60, FEB 28
1975; D. BRASILIA 2648

1. AT MY REQUEST, FERNANDO ALVAREZ BOGAERT, HEAD OF THE STATE SUGAR COUNCIL (CEA), DROPPED BY FOR WHAT TURNED OUT TO BE A TWO AND A HALF HOUR DISCUSSION OF THE FORTHCOMING SUGAR PRODUCERS MEETING AT PUERTO PLATA. (AS DEPT IS AWARE, ALVAREZ IS YOUNG, VERY BRIGHT, KNOWLEDGEABLE, COMPULSIVE, HIGHLY AMBITIOUS AND EGOTISTIC). ALVAREZ IMMEDIATELY LAUNCHED INTO A WORDY AND DRAMATIC EXPOSITION OF HIS VIEWS THAT THE SUGAR MARKET WOULD CONTINUE TO DECLINE TO A LEVEL WELL BELOW TWENTY CENTS A POUND, A SITUATION WHICH IN HIS VIEW WOULD CAUSE THE BALAGUER GOVERNMENT TO FALL. IT WAS THEREFORE IMPERATIVE THAT PRODUCERS TAKE ACTION TO STABILIZE SUGAR PRICES AT THE TWENT-TWENTY-FIVE CENT LEVEL. HE
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READILY VOLUNTEERED THAT HE WAS THE MOST PESSIMISTIC AND ALONE AMONG

SUGAR EXPERTS IN HIS GLOOMY OUTLOOK, BUT WITH CHARACTERISTIC MODESTY ASSERTED THAT HE HAD INVARIABLY BEEN RIGHT REGARDING THE FUTURE SUGAR MARKET. HE CONTINUED THAT HE WAS AS YET UNCERTAIN AS TO WHETHER SUFFICIENT VOTES WERE AVAILABLE TO REACH AGREEMENT ON PRICE LEVEL (BRAZIL'S VIEWS SPECIFICALLY WERE UNKNOWN, HE SAID). SOME COUNTRIES, HE SAID, HEWED TO A HARDER LINE, I.E., A 30-CENT LEVEL (CUBA HE INTIMATED WAS ONE) BUT HE WAS MORE INCLINED TOWARD THE TWENTY CENT LEVEL AS BEING FAIR TO BOTH PRODUCERS AND CONSUMERS. HE INDICATED THAT IN HIS TALKS WITH CANO ESCALANTE OF MEXICO (SD 1533) TACIT AGREEMENT HAD BEEN REACHED TO SEEK MINIMUM PRICE OF TWENTY CENTS AND MAXIMUM OF TWENTY-FIVE.

2. IN REPLY TO A QUESTION, ALVAREZ SAID THAT CEA COST OF PRODUCTION OVER THE PAST SEVERAL YEARS HAD RISEN FROM ABOUT 7 1/2 CENTS A POUND TO TEN CENTS DUE MAINLY TO INCREASED COST OF EQUIPMENT, FERTILIZER

AND PETROLEUM. WHEN I POINTED OUT THAT ONE HUNDRED TO ONE HUNDRED FIFTY PERCENT PROFIT ON A POUND OF SUGAR COULD BE VIEWED AS EXORBITANT, HE REJOINED THAT SUGAR WAS THE MAINSTAY OF THE DOMINICAN ECONOMY AND HAD TO PRODUCE ENOUGH FOREIGN EXCHANGE FOR THE PRINCIPAL NEEDS OF THE COUNTRY (AN ARGUMENT SIMILAR TO THAT OF JAMAICA WITH RESPECT TO BAUXITE). I THEN NOTED THAT THE PROFIT MARGIN WOULD BE SUCH AS TO ENCOURAGE NEW PRODUCTION AND SUBSTITUTES. HE REPLIED THAT THE TEN CENT A POUND PRODUCTION COST PERTAINED TO ESTABLISHED PRODUCERS; NEW PRODUCERS WOULD ENCOUNTER MUCH HIGHER COSTS. HE SAID THAT HE WAS AWARE OF THE INCREASE IN CORN SYRUP PRODUCTION BUT CONSIDERED THAT DEVELOPMENT TO BE OF MARGINAL IMPORTANCE TO THE ENTIRE SUGAR PICTURE.

3. AFTER HE HAD HAD HIS LENGTHY SAY, I TOLD HIM BLUNTLY THAT I FOUND HIS VIEWS AND ACTIONS CONTRARY TO THE POLICY STATEMENTS CONTAINED IN PRESIDENT BALAGUER'S FEB 27 SPEECH. IF INDEED THE PUERTO PLATA MEETING RESULTED IN AGREEMENT BY THE PRODUCERS PRESENT TO SET FLOORS AND CEILINGS ON SUGAR PRICES UNILATERALLY, I WAS CONFIDENT THAT MY GOVERNMENT WOULD FIND SUCH ACTIONS ARBITRARY AND CONFRONTATIONALIST. MANY IN THE US CONGRESS WOULD BE EQUALLY UNHAPPY AND I HESITATED TO PREDICT THE CONSEQUENCES. I REMINDED HIM OF THE EXCELLENT TREATMENT DOMINICAN SUGAR HAD RECEIVED FROM THE US OVER THE YEARS AND THAT SUPPORT FOR UNILATERAL ACTION TO KEEP SUGAR PRICES ARTIFICIALLY CONFIDENTIAL

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HIGH WAS HARDLY THE RESPONSE WE EXPECTED FROM A FRIEND. I SUGGESTED THEREFORE THAT HE SLOW DOWN AND REFLECT BEFORE HE PROCEEDED ANY FURTHER DOWN THAT ROAD.

4. ALVAREZ WAS MORE THAN A LITTLE SHAKEN BY ALL THIS. HE THEN INQUIRED WHETHER IT WOULD BE ACCEPTABLE TO ISSUE A PRESS STATEMENT AFTER THE MEETING WHICH, AFTER ALLUDING TO TECHNICAL EXCHANGES OF INFORMATION, EXPRESSED CONCERN OVER THE RAPIDLY FALLING

PRICE OF SUGAR AND WHICH SUGGESTED THAT DISCUSSIONS BE SOUGHT WITH CONSUMERS TO EXPLORE WHAT MIGHT BE DONE TO PROTECT PRODUCERS AND CONSUMERS ALIKE. I REPLIED THAT THIS WAS ESSENTIALLY HIS BUSINESS, BUT SUCH A STATEMENT APPEARED TO ME TO BE MORE CONSONANT WITH PRESIDENT BALAGUER'S STATED POLICY, ALTHOUGH WE BELIEVED THAT AVOIDING THE WHOLE QUESTION OF PRICE IN PUBLIC STATEMENTS WAS THE MOST PRUDENT COURSE AT THIS TIME.

5. ALVAREZ, WHO WAS BEGINNING TO REALIZE THAT HE WAS OUT ON A LIMB, REQUESTED THAT AMBASSADOR JOVA TALK TO CANO ESCALANTE AND THAT AMBASSADOR CRIMMINS TALK TO GENERAL TAVARES ALONG ABOVE LINES, EMPHASIZING THAT PRICE-FIXING MECHANISMS SHOULD NOT EMERGE FROM THE PUERTO PLATA MEETING. I REMINDED ALVAREZ THAT I WAS SPEAKING FROM INSTRUCTIONS AND SAID THAT MY COLLEAGUES HAD SIMILAR INSTRUCTIONS, BUT THAT I WOULD PASS ON HIS REQUEST ANYWAY. FROM THIS VANTAGE POINT, IT WOULD APPEAR THAT SUCH HIGH LEVEL DEMARCHES IN MEXICO CITY AND BRAZIL COULD BE HELPFUL IN ENABLING ALVAREZ TO EXTRICATE HIMSELF FROM WHAT APPEARS TO BE VIRTUAL COMMITMENTS TO SEEK PRICE STABILIZATION AT HE PUERTO PLATA MEETING.

6. AT ANY RATE, I INTEND TO SEEK AN APPOINTMENT WITH PRESIDENT BALAGUER ON THIS MATTER.
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